

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-02 L-03

NSC-05 PA-01 PRS-01 SS-15 /083 W

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R 301037Z JUN 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 826

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

LIMITED OFFICIAL USE ISLAMABAD 5951

E.O. 11652: N/A

TAGS: ECON, PK

SUBJ: CONSUMER PRICE CEILINGS

REF: ISLAMABAD 4158

1. WHEN THE GOP REDUCED SUBSIDIES AND RAISED THE PRICE OF WHEAT, SUGAR AND GHEE LAST APRIL, PROVINCIAL CONTROLS WERE PLACED ON A NUMBER OF BASIC CONSUMER GOODS IN AN ATTEMPT TO STEM THE INFLATIONARY IMPACT OF THESE PRICE INCREASES. IN THE INTERVENING THREE MONTHS, WE HAVE HAD VERY UNEVEN REPORTS ABOUT THE EFFECTIVENESS OF THESE CONTROLS. THERE HAVE BEEN NO PRESS REPORTS FOR AT LEAST A MONTH OF ANY VIOLATORS BEING APPREHENDED.

2. IN THE RAWALPINDI/ISLAMABAD AREA, THE CONTROLS SEEM TO BE WORKING REASONABLY WELL. SUGAR, WHICH IS CHRONICALLY IN SHORT SUPPLY, IS HARD TO FIND ON THE OPEN MARKET AND RATION SHOP STOCKS ARE FREQUENTLY SOLD AT WELL ABOVE THE RATION-SHOP PRICE, BUT OTHER ITEMS ARE APPARENTLY SELLING AT PRETTY CLOSE TO THEIR CONTROLLED PRICES.

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3. AMCONSUL PESHAWAR REPORTS THAT RATION SHOPS THERE ARE

HOLDING TO THE OFFICIAL PRICES FOR WHEAT, SUGAR AND GHEE,
BUT PRICES IN THE OPEN MARKET HAVE RISEN, IN SOME CASES
SUBSTANTIALLY. ONLY FOOD ITEMS CURRENTLY IN SEASON HAVE
DROPPED IN PRICE.

4. CONGEN LAHORE HAS NOTED THAT ALL ITEMS CONTAINING
WHEAT, SUGAR AND GHEE HAVE GONE UP SINCE CONTROLS WERE
INSTITUTED. OTHER ITEMS HAVE REMAINED REASONABLY STABLE
IN PRICE. IN ANYEVENT, AUTHORITIES DO NOT SEEM TO BE
MAKING MUCH EFFORT TO POLICE CONTROLS.

5. PICTURE REPORTED BY CONGEN KARACHI IS ALSO SPOTTY.
ITEMS FOR WHICH SUPPLY IS ADEQUATE MAY SELL AT MORE OR LESS
CONTROLLED PRICE LEVEL, BUT WHEN SUPPLY IS SHORT, AS
HAPPENS WITH BEEF, MUTTON, VEGETABLES, CIGARETTES AND
SOMETIMES SOAP AND BISQUITS, SHOPKEEPERS CHARGE WELL ABOVE
LISTED PRICES AND CONSUMERS GENERALLY DO NOT COMPLAIN.

6. THE ONLY CONSISTENT NOTE RUNNING THROUGH ALL THIS IS
THAT, NOT SURPRISINGLY, WHEN SUPPLIES ARE SHORT, PRICES
SEEM TO GO UP REGARDLESS OF CONTROLS. WE THUS CONCLUDE
THAT NO REAL MUSCLE HAS BEEN PUT INTO ENFORCING PRICE
CONTROLS, AND THAT THE VARIATIONS REPORTED AMONG THE
MAJOR CITIES MAY BE A REFLECTION OF VARIATIONS IN SUPPLY.
IN THE PAST WHEN THE GOVERNMENT HAS SLAPPED ON PRICE
CONTROLS THESE WERE ONLY ENFORCED AT FIRST AND THEN WERE
QUIETLY ALLOWED TO LAPSE. THIS IS WHAT SEEMS TO BE
OCCURRING AGAIN THIS TIME. EVEN IF A STRONG ATTEMPT WERE
MADE TO ENFORCE PRICE CONTROLS, THE UNDERLYING SUPPLY
SITUATION AND THE STRENGTH OF DEMAND FOR ESSENTIAL
CONSUMER GOODS WOULD MAKE SUCCESS ALMOST IMPOSSIBLE.
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